



OHIO AUDITOR OF STATE
KEITH FABER



**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY
JUNE 30, 2019**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis	14
Statement of Activities – Cash Basis	15
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds	17
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds	18
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budgetary Basis) General Fund	19
Statement of Net Position – Cash Basis Enterprise Fund	20
Statement of Receipts, Disbursements and Changes in Net Position – Cash Basis Enterprise Fund	21
Statement of Fiduciary Net Position – Cash Basis Fiduciary Funds	22
Statement of Changes in Fiduciary Net Position – Cash Basis Fiduciary Funds	23
Notes to the Basic Financial Statements	24
Schedule of Expenditures of Federal Awards	55
Notes to the Schedule of Expenditures of Federal Awards	56
Reporting and on Compliance and Other Matters	
Required Independent Auditor's Report on Internal Control Over Financial by <i>Government Auditing Standards</i>	57
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	59
Schedule of Findings	61
Summary Schedule of Prior Audit Findings (Prepared by Management)	63
Corrective Action Plan (Prepared by Management)	64

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Perkins Local School District
Erie County
3714 Campbell Street, Suite B
Sandusky, Ohio 44870

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, the major fund, and the aggregate remaining fund information of Perkins Local School District, Erie County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, the major fund, and the aggregate remaining fund information of Perkins Local School District, Erie County, Ohio, as of June 30, 2019, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to management's discussion and analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

March 11, 2020

This page intentionally left blank.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

The management's discussion and analysis of the Perkins Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position increased \$2,048,605. Net position of governmental activities increased \$2,049,273, which represents a 38.65% increase from 2018's net position. Net position of business-type activities decreased \$668 from 2018's net position.
- General cash receipts accounted for \$24,299,386 in cash receipts related to governmental activities or 81.72% of all cash receipts. Program specific cash receipts in the form of charges for services, grants and contributions accounted for \$5,435,146 or 18.28% of total governmental activities cash receipts of \$29,734,532.
- The District had \$27,685,259 in cash disbursements related to governmental activities; only \$5,435,146 of these cash disbursements was offset by program-specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$24,299,386 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$26,700,816 in cash receipts and \$24,440,841 in cash disbursements and other financing uses. During fiscal year 2019, the general fund's cash balance increased \$2,259,975 from a balance of \$3,858,393 to a balance of \$6,118,368.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting both an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the only major governmental fund is the general fund.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did we do financially during 2019?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

In the statement of net position - cash basis and the statement of activities - cash basis, the District is divided into two distinct kinds of activities:

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service and extracurricular activities.

Business-type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's special enterprise fund is reported as business-type activities.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions; these fund financial statements focus on the District's most significant fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for student managed activities and for the Sandusky Public Library. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2019 and June 30, 2018.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<u>Assets</u>						
Equity in pooled cash and cash equivalents	\$ 7,351,388	\$ 5,302,115	\$ 1,234	\$ 1,902	\$ 7,352,622	\$ 5,304,017
<u>Net Cash Position</u>						
Restricted	1,293,082	1,467,479	-	-	1,293,082	1,467,479
Unrestricted	6,058,306	3,834,636	1,234	1,902	6,059,540	3,836,538
Total net cash position	\$ 7,351,388	\$ 5,302,115	\$ 1,234	\$ 1,902	\$ 7,352,622	\$ 5,304,017

The total net cash position of the District increased \$2,048,605 which represents a 38.62% increase from fiscal year 2018. A portion of the District's net cash position, \$1,293,082 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$6,059,540 may be used to meet the District's ongoing obligations to the students and creditors.

THIS SPACE INTENTIONALLY LEFT BLANK

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

The table below shows the change in net position for fiscal years 2019 and 2018.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Cash receipts						
Program cash receipts:						
Charges for services and sales	\$ 3,664,795	\$ 4,078,804	\$ 22,574	\$ 14,455	\$ 3,687,369	\$ 4,093,259
Operating grants and contributions	1,770,351	2,278,483	-	-	1,770,351	2,278,483
General cash receipts:						
Property taxes	17,183,322	15,489,067	-	-	17,183,322	15,489,067
Payment in lieu of taxes	571,008	384,445	-	-	571,008	384,445
Unrestricted grants and entitlements	5,648,580	5,996,725	-	-	5,648,580	5,996,725
Investment earnings	162,786	73,056	-	-	162,786	73,056
Sale of assets	140,000	-	-	-	140,000	-
Miscellaneous	593,690	67,486	-	-	593,690	67,486
Total cash receipts	<u>29,734,532</u>	<u>28,368,066</u>	<u>22,574</u>	<u>14,455</u>	<u>29,757,106</u>	<u>28,382,521</u>
Cash disbursements						
Program expenses:						
Instruction:						
Regular	10,631,135	9,749,628	-	-	10,631,135	9,749,628
Special	3,828,489	3,714,305	-	-	3,828,489	3,714,305
Vocational	29,801	33,006	-	-	29,801	33,006
Other	1,740,425	1,546,625	-	-	1,740,425	1,546,625
Support services:						
Pupil	1,417,648	1,354,164	-	-	1,417,648	1,354,164
Instructional staff	1,429,125	837,953	-	-	1,429,125	837,953
Board of education	141,770	192,361	-	-	141,770	192,361
Administration	1,723,207	1,781,771	-	-	1,723,207	1,781,771
Fiscal	673,095	642,697	-	-	673,095	642,697
Business	156,690	176,178	-	-	156,690	176,178
Operations and maintenance	2,046,549	2,330,608	-	-	2,046,549	2,330,608
Pupil transportation	1,112,956	916,815	-	-	1,112,956	916,815
Central	387,538	293,359	-	-	387,538	293,359
Operation of non-instructional services	26,365	80,938	-	-	26,365	80,938
Extracurricular activities	968,627	861,766	-	-	968,627	861,766
Facilities acquisition and construction	434,844	213,880	-	-	434,844	213,880
Principal retirement	126,667	498,860	-	-	126,667	498,860
Interest and fiscal charges	24,548	33,969	-	-	24,548	33,969
Food service	785,780	907,844	-	-	785,780	907,844
Special enterprise	-	-	23,242	12,553	23,242	12,553
Total expenses	<u>27,685,259</u>	<u>26,166,727</u>	<u>23,242</u>	<u>12,553</u>	<u>27,708,501</u>	<u>26,179,280</u>
Changes in net position	<u>2,049,273</u>	<u>2,201,339</u>	<u>(668)</u>	<u>1,902</u>	<u>2,048,605</u>	<u>2,203,241</u>
Net position at						
beginning of year	<u>5,302,115</u>	<u>3,100,776</u>	<u>1,902</u>	<u>-</u>	<u>5,304,017</u>	<u>3,100,776</u>
Net position at end of year	<u>\$ 7,351,388</u>	<u>\$ 5,302,115</u>	<u>\$ 1,234</u>	<u>\$ 1,902</u>	<u>\$ 7,352,622</u>	<u>\$ 5,304,017</u>

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

Governmental Activities

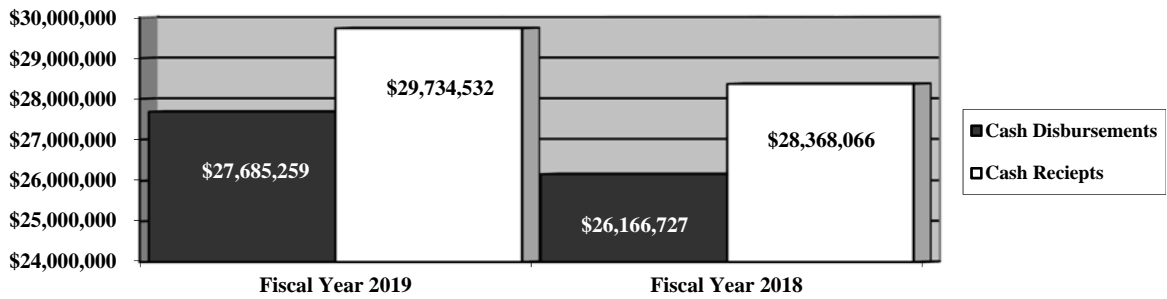
Net cash position of the District's governmental activities increased \$2,049,273. This increase can be primarily attributed to an increase in property taxes collected. Total governmental cash disbursements of \$27,685,259 were offset by program cash receipts of \$5,435,146 and general cash receipts of \$24,299,386. Program cash receipts supported 19.63% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes, payments in lieu of taxes, and grants and entitlements. These cash receipt sources represent 78.71% of total governmental cash receipts. Real estate property is reappraised every six years.

The largest cash disbursement of the District is for instructional programs. Instructional cash disbursements totaled \$16,229,850 or 58.62% of total governmental cash disbursements for fiscal year 2019.

The graph below presents the District's governmental cash receipts and cash disbursements for fiscal years 2019 and 2018.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



THIS SPACE INTENTIONALLY LEFT BLANK

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by taxes and unrestricted grants and entitlements.

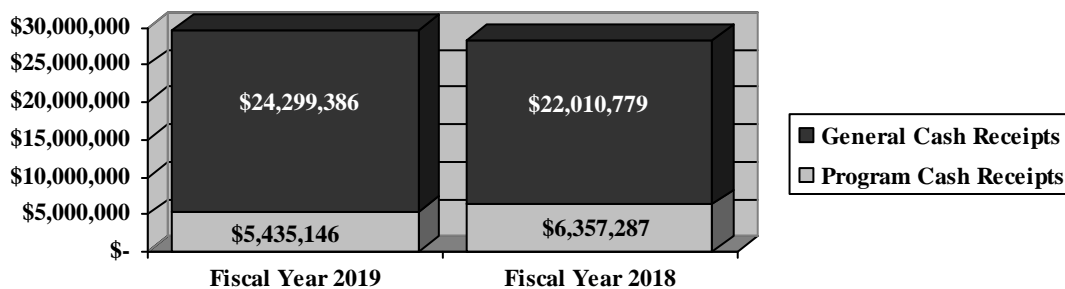
Governmental Activities

Cash Disbursements:	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2019	2019	2018	2018
Instruction:				
Regular	\$ 10,631,135	\$ 7,638,628	\$ 9,749,628	\$ 6,983,089
Special	3,828,489	2,673,551	3,714,305	1,953,838
Vocational	29,801	121	33,006	10,698
Other	1,740,425	1,740,425	1,546,625	1,546,625
Support services:				
Pupil	1,417,648	1,417,648	1,354,164	1,354,164
Instructional staff	1,429,125	1,391,251	837,953	698,312
Board of education	141,770	141,770	192,361	192,361
Administration	1,723,207	1,640,624	1,781,771	1,702,213
Fiscal	673,095	673,095	642,697	642,697
Business	156,690	156,690	176,178	176,178
Operations and maintenance	2,046,549	1,944,434	2,330,608	1,901,581
Pupil transportation	1,112,956	1,081,823	916,815	885,420
Central	387,538	380,338	293,359	227,912
Operations of non-instructional services:				
Other non-instructional services	26,365	22,605	80,938	75,216
Food service operations	785,780	89,140	907,844	192,938
Extracurricular activities	968,627	671,911	861,766	519,489
Facilities acquisition and construction	434,844	434,844	213,880	213,880
Principal retirement	126,667	126,667	498,860	498,860
Interest and fiscal charges	24,548	24,548	33,969	33,969
Total cash disbursements	<u>\$ 27,685,259</u>	<u>\$ 22,250,113</u>	<u>\$ 26,166,727</u>	<u>\$ 19,809,440</u>

The dependence upon general cash receipts for governmental activities is apparent; with 80.37% of cash disbursements supported through taxes and other general cash receipts during 2019.

The graph below presents the District's governmental activities cash receipts for fiscal years 2019 and 2018.

Governmental Activities - General and Program Cash Receipts



**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

Business-Type Activities

Business-type activities include the special enterprise fund. This program had cash receipts of \$22,574 and cash disbursements of \$23,242 for fiscal year 2019.

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting.

At June 30, 2019, the District's governmental funds reported a combined cash fund balance of \$7,351,388, which is \$2,049,273 higher than last year's total of \$5,302,115. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2019 and June 30, 2018, for the general fund and nonmajor governmental funds.

	Fund Balance <u>June 30, 2019</u>	Fund Balance <u>June 30, 2018</u>	<u>Change</u>
General	\$ 6,118,368	\$ 3,858,393	\$ 2,259,975
Nonmajor governmental	<u>1,233,020</u>	<u>1,443,722</u>	<u>(210,702)</u>
Total	<u>\$ 7,351,388</u>	<u>\$ 5,302,115</u>	<u>\$ 2,049,273</u>

General Fund

The general fund, the District's major fund, had cash receipts of \$26,700,816 in fiscal year 2019. The cash disbursements and other financing uses of the general fund totaled \$24,440,841 in fiscal year 2019. The general fund's cash balance increased \$2,259,975 or 58.57% from fiscal year 2018 to fiscal year 2019.

The table that follows assists in illustrating the financial activities and cash balance of the general fund.

	<u>2019 Amount</u>	<u>2018 Amount</u>	<u>Change</u>	<u>Percentage Change</u>
<u>Cash Receipts:</u>				
Taxes	\$ 17,047,080	\$ 15,155,774	\$ 1,891,306	12.48 %
Tuition	2,785,631	3,171,575	(385,944)	(12.17) %
Earnings on investments	162,786	73,056	89,730	122.82 %
Intergovernmental	5,913,016	6,290,794	(377,778)	(6.01) %
Other revenues	<u>792,303</u>	<u>448,914</u>	<u>343,389</u>	76.49 %
Total	<u>\$ 26,700,816</u>	<u>\$ 25,140,113</u>	<u>\$ 1,560,703</u>	6.21 %
<u>Cash Disbursements:</u>				
Instruction	\$ 14,995,173	\$ 14,275,321	\$ 719,852	5.04 %
Support services	8,614,363	8,311,832	302,531	3.64 %
Operation of non-instructional services	21,519	73,516	(51,997)	(70.73) %
Extracurricular activities	587,135	516,673	70,462	13.64 %
Facilities acquisition and construction	46,436	130,448	(84,012)	(64.40) %
Debt service	<u>151,215</u>	<u>176,383</u>	<u>(25,168)</u>	(14.27) %
Total	<u>\$ 24,415,841</u>	<u>\$ 23,484,173</u>	<u>\$ 931,668</u>	3.97 %

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)

The District's increase in earnings on investments was due to increased returns from the District's investments in STAR Ohio. The District's increase in taxes was due to additional business personal property taxes collected in fiscal year 2019. The District's decrease in tuition revenue was due to a smaller amount of tuition received from other districts in fiscal year 2019. Facilities acquisition and construction disbursements decreased due to high costs from fiscal year 2018 for engineering services, the District's bleacher repairs, and a prototype classroom design.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2019, the District amended its general fund budget several times. For the general fund, original budgeted receipts and other financing sources were \$26,997,499 while final budgeted receipts and other financing sources were \$26,940,580. Actual receipts and other financing sources for fiscal year 2019 were \$26,769,472. This represents a \$171,108 decrease from final budgeted receipts.

General fund original appropriations were \$24,375,605 while final appropriations were \$25,042,708. Actual budgetary basis disbursements for fiscal year 2019 totaled \$24,765,958, which was \$276,750 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

Debt Administration

The following table summarizes the capital lease obligations outstanding at June 30, 2019 and June 30, 2018.

Outstanding Debt at June 30

	Governmental Activities 2019	Governmental Activities 2018
Capital lease obligation - H.B. 264 Project	\$ 506,663	\$ 633,330

Current Financial Related Activity

The challenges facing the District are linked to general economic conditions of Northern Ohio. Property valuations are expected to show very little growth in the next several years. This meant very little growth in local property tax revenue. Many of the major commercial properties diligently challenge their property values. The District also continues to see less State funding through the phase-out of the tangible personal property tax reimbursements.

The District spent less than revenue received in fiscal year 2019 and will continue such for the next several fiscal years.

Starting with January 2020, the District will receive new funds from the NEXUS gas pipeline. The actual value to the tangible personal public utility will be set in the fall of 2019. Other general economic challenges of the area remain the same. Area property values continue to show slow growth.

Despite the economic conditions and new local revenue stream, it is the obligation of the Board of Education, administration and the staff of the school to provide the best possible education to the students of the District. Therefore, the District will continue it work on instructional improvements beneficial to the students' education.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

The District has committed itself to providing the best available financial information. In addition, the District's systems of budgeting and internal controls are well regarded. This commitment and attention to control mechanisms will serve to meet the challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Daniel Bowman, Treasurer and Chief Financial Officer, Perkins Local School District, 3714 Campbell Street, Suite B, Sandusky, Ohio 44870.

This page intentionally left blank.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 7,351,388	\$ 1,234	\$ 7,352,622
Net cash position:			
Restricted for:			
Capital projects	558,700	-	558,700
State funded programs.	1,934	-	1,934
Federally funded programs	259,894	-	259,894
Student activities	136,923	-	136,923
Other purposes	335,631	-	335,631
Unrestricted	6,058,306	1,234	6,059,540
Total net cash position	\$ 7,351,388	\$ 1,234	\$ 7,352,622

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Disbursements	Program Cash Receipts	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular	\$ 10,631,135	\$ 2,460,955	\$ 531,552
Special	3,828,489	507,839	647,099
Vocational	29,801	-	29,680
Other	1,740,425	-	-
Support services:			
Pupil.	1,417,648	-	-
Instructional staff	1,429,125	-	37,874
Board of education	141,770	-	-
Administration.	1,723,207	68,112	14,471
Fiscal.	673,095	-	-
Business.	156,690	-	-
Operations and maintenance	2,046,549	25,617	76,498
Pupil transportation.	1,112,956	150	30,983
Central	387,538	-	7,200
Operation of non-instructional services:			
Other non-instructional services	26,365	-	3,760
Food service operations	785,780	365,773	330,867
Extracurricular activities.	968,627	236,349	60,367
Facilities acquisition and construction	434,844	-	-
Principal retirement	126,667	-	-
Interest and fiscal charges	24,548	-	-
Total governmental activities	27,685,259	3,664,795	1,770,351
Business-type activities:			
Special enterprise	23,242	22,574	-
Total	\$ 27,708,501	\$ 3,687,369	\$ 1,770,351

General cash receipts:

Property taxes levied for:

 General purposes

 Capital outlay.

Payments in lieu of taxes.

Grants and entitlements not restricted to specific programs

Investment earnings

Sale of capital assets

Miscellaneous

Total general cash receipts

Change in net cash position.

Net cash position at beginning of year.

Net cash position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net Disbursements
and Changes in
Net Cash Position**

Governmental Activities	Business-Type Activities	Total
\$ (7,638,628)	\$ -	\$ (7,638,628)
(2,673,551)	-	(2,673,551)
(121)	-	(121)
(1,740,425)	-	(1,740,425)
(1,417,648)	-	(1,417,648)
(1,391,251)	-	(1,391,251)
(141,770)	-	(141,770)
(1,640,624)	-	(1,640,624)
(673,095)	-	(673,095)
(156,690)	-	(156,690)
(1,944,434)	-	(1,944,434)
(1,081,823)	-	(1,081,823)
(380,338)	-	(380,338)
(22,605)	-	(22,605)
(89,140)	-	(89,140)
(671,911)	-	(671,911)
(434,844)	-	(434,844)
(126,667)	-	(126,667)
(24,548)	-	(24,548)
(22,250,113)	-	(22,250,113)
-	(668)	(668)
(22,250,113)	(668)	(22,250,781)
16,476,072	-	16,476,072
707,250	-	707,250
571,008	-	571,008
5,648,580	-	5,648,580
162,786	-	162,786
140,000	-	140,000
593,690	-	593,690
24,299,386	-	24,299,386
2,049,273	(668)	2,048,605
5,302,115	1,902	5,304,017
\$ 7,351,388	\$ 1,234	\$ 7,352,622

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents.	\$ 6,118,368	\$ 1,233,020	\$ 7,351,388
Fund cash balances:			
Restricted:			
Capital improvements	-	558,700	558,700
Food service operations	-	335,631	335,631
Other purposes.	-	261,828	261,828
Extracurricular activities	-	136,923	136,923
Assigned:			
Student instruction	125,000	-	125,000
Student and staff support.	269,777	-	269,777
Extracurricular activities	1,111	-	1,111
Other purposes.	3,102	-	3,102
Unassigned (deficit).	5,719,378	(60,062)	5,659,316
Total fund cash balances	\$ 6,118,368	\$ 1,233,020	\$ 7,351,388

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
From local sources:			
Property taxes	\$ 16,476,072	\$ 707,250	\$ 17,183,322
Payment in lieu of taxes	571,008	-	571,008
Tuition	2,785,631	-	2,785,631
Transportation fees	150	-	150
Earnings on investments	162,786	7,648	170,434
Charges for services	-	375,570	375,570
Extracurricular	117,399	187,062	304,461
Classroom materials and fees	75,573	-	75,573
Rental income	15,820	-	15,820
Contributions and donations	-	39,594	39,594
Contract services	107,590	-	107,590
Other local revenues	475,771	85,691	561,462
Intergovernmental - state	5,854,427	93,755	5,948,182
Intergovernmental - federal	58,589	1,397,146	1,455,735
Total cash receipts	<u>26,700,816</u>	<u>2,893,716</u>	<u>29,594,532</u>
Cash disbursements:			
Current:			
Instruction:			
Regular	9,912,901	718,234	10,631,135
Special	3,312,046	516,443	3,828,489
Vocational	29,801	-	29,801
Other	1,740,425	-	1,740,425
Support services:			
Pupil	1,417,648	-	1,417,648
Instructional staff	1,289,125	140,000	1,429,125
Board of education	141,770	-	141,770
Administration	1,723,207	-	1,723,207
Fiscal	660,854	12,241	673,095
Business	156,690	-	156,690
Operations and maintenance	1,919,011	127,538	2,046,549
Pupil transportation	925,720	187,236	1,112,956
Central	380,338	7,200	387,538
Operation of non-instructional services:			
Other non-instructional services	21,519	4,846	26,365
Food service operations	-	785,780	785,780
Extracurricular activities	587,135	381,492	968,627
Facilities acquisition and construction	46,436	388,408	434,844
Debt service:			
Principal retirement	126,667	-	126,667
Interest and fiscal charges	24,548	-	24,548
Total cash disbursements	<u>24,415,841</u>	<u>3,269,418</u>	<u>27,685,259</u>
Excess of cash (deficiency) receipts over (under) cash disbursements	<u>2,284,975</u>	<u>(375,702)</u>	<u>1,909,273</u>
Other financing sources (uses):			
Sale of capital assets	-	140,000	140,000
Transfers in	-	37,874	37,874
Transfers (out)	-	(37,874)	(37,874)
Advances in	-	25,000	25,000
Advances (out)	(25,000)	-	(25,000)
Total other financing sources (uses)	<u>(25,000)</u>	<u>165,000</u>	<u>140,000</u>
Net change in fund cash balances	2,259,975	(210,702)	2,049,273
Fund cash balances at beginning of year	<u>3,858,393</u>	<u>1,443,722</u>	<u>5,302,115</u>
Fund cash balances at end of year	<u>\$ 6,118,368</u>	<u>\$ 1,233,020</u>	<u>\$ 7,351,388</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary cash receipts:				
From local sources:				
Property taxes	\$ 16,364,624	\$ 16,242,824	\$ 16,476,072	\$ 233,248
Payment in lieu of taxes.	374,754	371,964	571,008	199,044
Tuition.	2,949,998	2,928,042	2,785,631	(142,411)
Transportation fees.	-	-	150	150
Earnings on investments	81,583	80,976	162,786	81,810
Extracurricular.	47,420	47,067	49,287	2,220
Classroom materials and fees	78,881	78,294	75,573	(2,721)
Rental income	18,356	18,220	15,820	(2,400)
Contributions and donations	1,020	1,012	16,296	15,284
Contract services.	110,468	109,646	107,590	(2,056)
Other local revenues	40,307	40,007	94,868	54,861
Intergovernmental - state	6,298,307	6,251,430	5,854,427	(397,003)
Intergovernmental - federal	91,781	91,098	58,589	(32,509)
Total budgetary cash receipts	<u>26,457,499</u>	<u>26,260,580</u>	<u>26,268,097</u>	<u>7,517</u>
Budgetary cash disbursements:				
Current:				
Instruction:				
Regular	9,963,358	10,064,195	10,064,195	-
Special.	3,241,429	3,447,579	3,310,829	136,750
Vocational.	33,775	29,801	29,801	-
Other.	1,734,926	1,740,425	1,740,425	-
Support services:				
Pupil.	1,440,626	1,430,190	1,430,190	-
Instructional staff	1,225,991	1,430,725	1,290,725	140,000
Board of education	172,004	164,933	164,933	-
Administration.	1,674,103	1,648,637	1,648,637	-
Fiscal	678,164	676,400	676,400	-
Business	180,734	156,690	156,690	-
Operations and maintenance.	1,969,782	2,044,529	2,044,529	-
Pupil transportation	960,096	944,941	944,941	-
Central.	349,029	380,864	380,864	-
Other operation of non-instructional services	25,866	21,519	21,519	-
Extracurricular activities.	525,283	585,145	585,145	-
Facilities acquisition and construction	49,818	46,436	46,436	-
Debt service:				
Principal retirement	126,169	126,667	126,667	-
Interest and fiscal charges.	24,452	24,548	24,548	-
Total budgetary cash disbursements	<u>24,375,605</u>	<u>24,964,224</u>	<u>24,687,474</u>	<u>276,750</u>
Excess of budgetary cash receipts over budgetary cash disbursements.	<u>2,081,894</u>	<u>1,296,356</u>	<u>1,580,623</u>	<u>284,267</u>
Other financing sources (uses):				
Refund of prior year's expenditures	40,000	40,000	81,075	41,075
Refund of prior year's receipts.	-	(53,484)	(53,484)	-
Advances (out)	-	(25,000)	(25,000)	-
Sale of capital assets	500,000	640,000	420,300	(219,700)
Total other financing sources (uses)	<u>540,000</u>	<u>601,516</u>	<u>422,891</u>	<u>(178,625)</u>
Net change in fund cash balance	2,621,894	1,897,872	2,003,514	105,642
Fund cash balance at beginning of year.	2,974,815	2,974,815	2,974,815	-
Prior year encumbrances appropriated	741,049	741,049	741,049	-
Fund cash balance at end of year	\$ 6,337,758	\$ 5,613,736	\$ 5,719,378	\$ 105,642

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
ENTERPRISE FUND
JUNE 30, 2019

	<u>Nonmajor Enterprise Fund</u>
Assets:	
Equity in pooled cash and cash equivalents	<u>\$ 1,234</u>
Net position:	
Unrestricted.	<u>\$ 1,234</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
 ERIE COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN NET POSITION - CASH BASIS
 ENTERPRISE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Nonmajor Enterprise Fund
Operating cash receipts:	
Other	\$ 22,574
Operating cash disbursements:	
Personal services.	21,883
Materials and supplies	1,359
Total operating expenses.	23,242
Change in net position	(668)
Net position at beginning of year.	1,902
Net position at end of year	\$ 1,234

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	<u>\$ 138,154</u>	<u>\$ 64,593</u>
 Net position:		
Undistributed monies for student activities . . .	-	64,593
Held in trust for scholarships	<u>138,154</u>	<u>-</u>
Total net position.	<u>\$ 138,154</u>	<u>\$ 64,593</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1,869
Gifts and contributions	103,144
Other	41,159
Total additions	146,172
 Deductions:	
Scholarships awarded	92,193
Change in net position	53,979
Net position at beginning of year	84,175
Net position at end of year	\$ 138,154

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Perkins Local School District (the “District”) operates under a locally-elected five-member Board form of government and provides educational services mandated by State and/or federal agencies. Located in Erie County, the District serves an area of approximately 72 square miles, including portions of the City of Sandusky and surrounding townships.

The District was established in 1854 through the consolidation of existing land areas and Districts and is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms. The District operates 2 elementary schools, 1 middle school and 1 comprehensive high school.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.D., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Bay Area Council of Governments

The Bay Area Council of Governments (BACG) is a jointly governed organization. Members of the BACG consists of various school districts representing 7 counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the Council of Governments are natural gas and insurance. The only cost to the District is an administrative charge if it participates in purchasing through the BACG. The membership of BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consists of one elected representative of each county, the superintendent of the fiscal agent and two non-voting members (administrator and fiscal agent). During the fiscal year, the District paid \$88,728 to the BACG. Members of the Board serve staggered two-year terms. Financial information can be obtained by contacting the North Point Educational Service Center, which serves as fiscal agent, at 4918 Milan Road, Sandusky, Ohio 44870.

Northwest Ohio Computer Association (NWOCA)

The District is a participant with various other school districts in a jointly governed organization to operate NWOCA. NWOCA was formed for the purpose of providing computer services. NWOCA is governed by a board of directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District does not have an ongoing financial interest or responsibility in NWOCA.

PUBLIC ENTITY RISK POOLS

Ohio Association of Better Business Bureaus Schools Plan

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 10.C. for further information on this group rating plan.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (Association) is a public entity risk pool comprised of various districts. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained by contacting the program administrator at the Huron-Erie School Employees Insurance Association, located at 4918 Milan Road, Sandusky, Ohio 44870. Refer to Note 10.B. for further information.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

RELATED ORGANIZATION

Library Association of Sandusky - The Library is a private, not-for-profit organization of the State of Ohio governed by a Board of Trustees. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. The District in 2000 passed a continuing tax replacement on behalf of the Library. The District reports these monies in an agency fund.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following is the District's major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific financial resources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The District's proprietary fund is a special enterprise fund to account for all financial transactions related to the District's child care program.

THIS SPACE INTENTIONALLY LEFT BLANK.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency funds account for student activities and the fiscal agent activity of the Sandusky Public Library.

C. Basis of Presentation

Government-Wide Financial Statements - The statement of net position - cash basis and the statement of activities - cash basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities - cash basis presents a comparison between direct disbursements and program receipts for each function or program of the governmental activities of the District. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts not classified as program receipts are presented as general receipts of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

D. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements and funds budgeted elsewhere.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The level of budgetary control is at the fund level for all funds. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Budgetary statements are presented beyond that legal level of control for informational purposes only. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with Erie County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final certificates of estimated resources issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the legal level of control. Any revisions that alter the fund level must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2019, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$50 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$162,786, which includes \$31,736 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded on these capital assets.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

J. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt issues are reported as receipts when cash is received and principal and interest payments are reported as disbursements when paid.

K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

L. Net Cash Position

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available. Net position restricted for other purposes primarily represents resources restricted for food service operations.

M. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds is eliminated on the statement of net position - cash basis and the statement of activities - cash basis.

N. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability and net OPEB asset, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2019.

P. Operating Cash Receipts and Cash Disbursements

Operating cash receipts are those cash receipts that are generated directly from the primary activity of the proprietary funds. For the District, these cash receipts are child care receipts. Operating cash disbursements are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. All receipts and disbursements not meeting these definitions are classified as nonoperating.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statement of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA, Part B	\$ 43,652
Title I, Disadvantaged Children	10,288
IDEA Preschool Grant for the Handicapped	1,574
Miscellaneous Federal Grants	4,548

These negative cash balances are not allowable under Ohio Revised Code Section 3315.20.

C. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2019, the carrying amount of all District deposits was \$276,260 and the bank balance of all District deposits was \$859,519. All of the bank balance was covered by the FDIC or through eligible securities pledged to the District.

B. Investments

As of June 30, 2019, the District had the following investments and maturities:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 7,279,109	\$ 7,279,109

Credit Risk: STAR Ohio was rated AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Concentration of Credit Risk: The District's investment policy addresses concentration of credit risk by encouraging diversification to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issue or a specific class of securities.

The following table includes the percentage of each investment type held by the District at June 30, 2019:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
STAR Ohio	\$ 7,279,109	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2019:

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 276,260
Investments	<u>7,279,109</u>
Total	<u>\$ 7,555,369</u>

<u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 7,351,388
Business type activities	1,234
Private-purpose trust fund	138,154
Agency fund	<u>64,593</u>
Total	<u>\$ 7,555,369</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following, as reported on the fund statements:

<u>Transfers from nonmajor governmental funds to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 37,874

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.. The \$37,874 transfer from the Improving Teacher Quality fund (a nonmajor governmental fund) to the Title I fund (a nonmajor governmental fund) was allowable under the state transferability/schoolwide pool.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

B. Interfund Advances

Advances in/advances out consisted of the following at June 30, 2019 as reported on the fund statement:

<u>Advances In</u>	<u>Advances Out</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 25,000

The primary purpose of the advance is to partially cover an excess of disbursements over receipts for the District Managed Student Activity fund (a nonmajor governmental fund) for fiscal year 2019.

Advances between governmental funds are eliminated on the government-wide financial statements.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Erie County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 426,919,190	92.61	\$ 433,893,220	91.51
Public utility personal	<u>34,043,850</u>	<u>7.39</u>	<u>40,231,840</u>	<u>8.49</u>
Total	<u>\$ 460,963,040</u>	<u>100.00</u>	<u>\$ 474,125,060</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$67.30		\$67.30	
Permanent improvement	2.00		2.00	

NOTE 7 - PAYMENT IN LIEU OF TAXES

The District has entered into a tax incremental financing agreement with a local company for the purpose of various improvements and developments. To encourage these improvements, the company was granted an exemption from paying property taxes on the improvements and developments; however, payments in lieu of taxes are made to the District in an amount equal to the property taxes that otherwise would have been due in the current year. These payments are being used to finance either general operations or the District's permanent improvements and will continue through fiscal year 2020. In the governmental fund financial statements, the District recorded payment in lieu of taxes receipts of \$571,008 in the general fund during fiscal year 2019.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 8 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2019, the following changes occurred in governmental activities long-term obligations.

	Balance Outstanding <u>06/30/18</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/19</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Capital lease obligation-HB264 project	\$ 633,330	\$ -	\$(126,667)	\$ 506,663	\$ 126,667

- B. Capital Lease Obligation - HB264 Project: During fiscal year 2008, the District entered into a capital lease agreement to provide for energy improvements to various District buildings.

Capital lease payments are reflected as debt service disbursements in the general fund. Principal and interest payments in the 2019 fiscal year totaled \$126,667 and \$24,548, respectively.

Citizens Bank has been designated as trustee for the HB264 Project agreement.

The following is a schedule of the future long-term minimum lease payments required under the capital lease obligation and the present value of the minimum lease payments as of June 30, 2019.

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2020	146,047
2021	140,879
2022	135,711
2023	<u>130,538</u>
Total minimum lease payments	553,175
Less: amount representing interest	<u>(46,512)</u>
Present value of minimum lease payments	<u>\$ 506,663</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019, are a voted debt margin of \$42,671,255, an unvoted debt margin of \$474,125, and a debt limitation of \$3,760,493 for energy conservation.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn one to five weeks of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Upon retirement, payment is made for forty percent of the total sick leave accumulation, up to a maximum accumulation of forty-eight days for classified employees who receive an additional twelve days if they notify the District by February 1. Certified employees receive thirty percent, up to a maximum of fifty-five days, and will receive an additional four days if the District is notified of the intent to retire by March 1. An employee receiving such payment must meet the retirement provisions set by the State Teachers Retirement System of Ohio (STRS Ohio) and the School Employees Retirement System (SERS).

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance in the amount of \$10,000 to certified employees. For classified employees, group term life insurance is provided in the amount of \$20,000.

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents, liability, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The amount of insurance coverage has been maintained or increased over the last several years.

B. Huron-Erie School Employees Insurance Association

The District has contracted with the Huron-Erie School Employees Insurance Association (Association) to provide medical/surgical, dental, and life insurance benefits for its employees and their covered dependents. The Association is a shared risk pool comprised of various school districts that provide public education within Erie and Huron Counties. The districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow.

In the event of withdrawal, the District shall assume and be responsible for payment of all claims of its eligible employees, families, and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - RISK MANAGEMENT – (Continued)

C. Ohio Association of Better Business Bureaus Schools Plan

For fiscal year 2019, the District participated in the Ohio Association of Better Business Bureaus Schools Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Spooner Medical Administrators, Inc. provided administrative, cost control and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$411,737 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,521,838 for fiscal year 2019.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.04555770%	0.09923691%	
Proportion of the net pension liability current measurement date	<u>0.11312810%</u>	<u>0.09320057%</u>	
Change in proportionate share	<u>0.06757040%</u>	<u>-0.00603634%</u>	
Proportionate share of the net pension liability	\$ 6,479,056	\$ 20,492,713	\$ 26,971,769

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
	District's proportionate share of the net pension liability	\$ 9,126,239	\$ 6,479,056

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 29,926,909	\$ 20,492,713	\$ 12,507,945

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability/asset represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$45,777.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$61,027 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS		Total
Proportion of the net OPEB liability prior measurement date	0.04627200%	0.09923691%		
Proportion of the net OPEB liability/asset current measurement date	<u>0.11151100%</u>	<u>0.09320057%</u>		
Change in proportionate share	<u>0.06523900%</u>	<u>-0.00603634%</u>		
Proportionate share of the net OPEB liability	\$ 3,093,616	\$ -		\$ 3,093,616
Proportionate share of the net OPEB asset	\$ -	\$ 1,497,638		\$ 1,497,638

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 3.75%) and higher (8.5% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$ 3,753,860	\$ 3,093,616	\$ 2,570,827
	1% Decrease (6.5 % decreasing to 3.75 %)	Current Trend Rate (7.5 % decreasing to 4.75 %)	1% Increase (8.5 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$ 2,495,981	\$ 3,093,616	\$ 3,884,993

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

	July 1, 2018		July 1, 2017
	Initial	Ultimate	
Inflation	2.50%		2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation
Payroll increases	3.00%		3.00%
Cost-of-living adjustments (COLA)	0.00%		0.00%, effective July 1, 2017
Discounted rate of return	7.45%		N/A
Blended discount rate of return	N/A		4.13%
Health care cost trends			6 to 11% initial, 4.50% ultimate
Medical			
Pre-Medicare	6.00%	4.00%	
Medicare	5.00%	4.00%	
Prescription Drug			
Pre-Medicare	8.00%	4.00%	
Medicare	-5.23%	4.00%	

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - DEFINED BENEFIT OPEB PLANS - (Continued)

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	\$ 1,283,616	\$ 1,497,638	\$ 1,677,513
		Current Trend Rate	
	1% Decrease	1% Increase	
District's proportionate share of the net OPEB asset	\$ 1,667,359	\$ 1,497,638	\$ 1,325,273

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balances - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than an assignment of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

Net Change in Fund Balance	
	<u>General Fund</u>
Budget basis	\$ 2,003,514
Adjustment for encumbrances	320,090
Funds budgeted elsewhere	<u>(63,629)</u>
Cash basis	<u>\$ 2,259,975</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund. This includes the special trust fund and the public school support fund.

NOTE 14 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is a party to several legal proceedings. The District's management is of the opinion that ultimate disposition of these proceedings will not have a material effect, if any, on the financial condition of the District.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. ODE has finalized the impact of enrollment adjustments to the June 30, 2019 Foundation funding for the District, and the amount will be an immaterial liability of the District.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 15 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2018	\$ -
Current year set-aside requirement	351,697
Current year qualifying disbursements	-
Current year offsets	<u>(776,387)</u>
Total	<u>\$ (424,690)</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>
Set-aside balance June 30, 2019	<u>\$ -</u>

NOTE 16 - DONOR RESTRICTED ENDOWMENTS

The District's private-purpose trust fund consists partially of donor restricted endowments and realized and unrealized appreciation on investments. Endowments, in the amount of \$81,170, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$1,482 and is reflected as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide scholarships each year.

NOTE 17 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 355,066
Other governmental	<u>561,894</u>
Total	<u>\$ 916,960</u>

This page intentionally left blank.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	\$51,656
National School Lunch Program:		
Cash Assistance	10.555	271,135
Non-cash Assistance (Food Distribution)	10.555	63,012
Total National School Lunch Program		<u>334,147</u>
Total Child Nutrition Cluster		<u>385,803</u>
Total U.S. Department of Agriculture		<u>385,803</u>
U.S. DEPARTMENT OF EDUCATION		
Direct Program		
Impact Aid	84.041	718,181
Passed Through Ohio Department of Education		
Title I Grants to Local Educational Agencies	84.010	183,507
<u>Special Education Cluster (IDEA):</u>		
Special Education_Grant to States	84.027	356,220
Special Education_Preschool Grants	84.173	13,871
Total Special Education Cluster (IDEA)		<u>370,091</u>
Improving Teacher Quality State Grants	84.367	36,453
Student Support and Academic Enrichment Program	84.424	<u>16,283</u>
Total U.S. Department of Education		<u>1,324,515</u>
Total Expenditures of Federal Awards		<u>\$1,710,318</u>

The accompanying notes are an integral part of this schedule.

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Perkins Local School District (the District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar state grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE E - FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2019 to 2020 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 18,818
Improving Teacher Quality State Grants	84.367	\$ 4,978
Student Support and Academic Enrichment Program	84.424	\$ 5,826
Special Education_Grant to States	84.027	\$ 1,585
Special Education_Preschool Grants	84.173	\$ 302

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Perkins Local School District
Erie County
3714 Campbell Street, Suite B
Sandusky, Ohio 44870

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Perkins Local School District, Erie County, Ohio (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2020, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 11, 2020

OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Perkins Local School District
Erie County
3714 Campbell Street, Suite B
Sandusky, Ohio 44870

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Perkins Local School District, Huron County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Perkins Local School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, Perkins Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 11, 2020

**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Program (list):	Impact Aid - CFDA #84.041
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2019-001

Noncompliance Citation

Ohio Rev. Code § 117.38(A) provides that each public office “shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.”

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

As a cost savings measure, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District’s ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

Officials’ Response:

The District does not have plans to correct the finding. The District will continue filing a cash basis financial report due to the cost of preparing a GAAP basis report.

3. FINDINGS FOR FEDERAL AWARDS

None.

PERKINS

LOCAL SCHOOL DISTRICT

3714 Campbell St., Ste. B | Sandusky, OH 44870 | www.perkinsschools.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)
JUNE 30, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Finding was first reported in the audit of the 2017 financial statements. Ohio Rev. Code § 117.38(A) and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than accounting principles generally accepted in the United States of America.	Not corrected and reissued as Finding 2019-001 in this report.	The issue is due to the District choosing to file on a cash basis of accounting due to the additional costs of preparing the financial statements according to Generally Accepted Accounting Principles (GAAP).



PERKINS PROMISE

TO EMPOWER STUDENTS TO PURSUE THEIR DREAMS AND ACHIEVE SUCCESS.

Phone:
419-625-0484
Fax:
419-621-2052
Treasurer:
419-625-1261

SUPERINTENDENT
Todd Boggs

TREASURER
Dan Bowman

BOARD OF EDUCATION
Jason Dulaney
Scott Hart
Nicole Hykes
Ted Kastor
Brad Mitchel

PERKINS

LOCAL SCHOOL DISTRICT

3714 Campbell St., Ste. B | Sandusky, OH 44870 | www.perkinsschools.org

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2019

Finding Number: 2019-001
Planned Corrective Action: The District does not have plans to correct the finding. The District will continue filing a cash basis financial report due to the cost of preparing a GAAP basis report.
Anticipated Completion Date: N/A
Responsible Contact Person: Dan Bowman, Treasurer



PERKINS PROMISE

TO EMPOWER STUDENTS TO PURSUE THEIR DREAMS AND ACHIEVE SUCCESS.

Phone:
419-625-0484

Fax:
419-621-2052

Treasurer:
419-625-1261

SUPERINTENDENT
Todd Boggs

TREASURER
Dan Bowman

BOARD OF EDUCATION
Jason Dulaney
Scott Hart
Nicole Hykes
Ted Kastor
Brad Mitchel

OHIO AUDITOR OF STATE KEITH FABER



PERKINS LOCAL SCHOOL DISTRICT

ERIE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2020**